

PERFORMANCE AUDIT
OF
SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA

May 2001

EXECUTIVE DIGEST

SELECTED COMMUNITY COLLEGES' REPORTING OF ACTIVITIES CLASSIFICATION STRUCTURE DATA

INTRODUCTION	This report contains the results of our performance audit* of Selected Community Colleges' Reporting of Activities Classification Structure Data for the colleges' fiscal year 1999-2000 (July 1, 1999 through June 30, 2000).
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and was mandated by Act 272, P.A. 2000, the annual appropriations act for community colleges.
BACKGROUND	The activities classification structure (ACS) was developed in response to Section 8, Act 419, P.A. 1978 (a section of the fiscal year 1978-79 appropriations act for community colleges). Uniform data reporting requirements were developed for use in making State budget and appropriation decisions. Act 117, P.A. 1984, provided for a funding formula to be used to determine State aid for each community college. The funding formula is based on ACS data, such as full-time equated students, contact hours, expenditures, and other activity measures. For fiscal year

* See glossary at end of report for definition.

1999-2000, Act 109, P.A. 1999, continued with the reporting requirements as established in Act 117, P.A. 1984.

The Michigan Department of Career Development (MDCD) is responsible for the collection and analysis of certain data submitted by the colleges on the various ACS forms.

AUDIT OBJECTIVE
AND CONCLUSION

Audit Objective: To assess whether colleges reported ACS data to MDCD on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 109, P.A. 1999), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and MDCD's annual instructions.

Conclusion: We concluded that the selected community colleges generally reported ACS data to MDCD on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 109, P.A. 1999), the ACS Manual for Michigan Community Colleges, MUFR, and MDCD's annual instructions. However, we did identify reportable conditions* relating to the calculation of the count date for credit hours, contact hours, and student headcount; student course enrollment data reporting; contact hour computations and reporting; disclosure of required data; instructional minutes computation; cost allocations and expenditure reporting; and property tax data (Findings 1 through 7).

These reporting errors were not considered material and may not necessarily have a direct dollar impact on the community colleges' funding. However, it is important for

* See glossary at end of report for definition.

comparative analyses that all community colleges report their enrollment and other ACS data in a consistent manner that adheres to the provisions of the annual appropriations act for community colleges (Act 109, P.A. 1999), the ACS Manual for Michigan Community Colleges, MUFR, and MDCD's annual instructions.

AUDIT SCOPE

Our audit scope was to examine selected records supporting the activities classification structure data reported by seven community colleges for their fiscal year ended June 30, 2000. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We randomly selected the following seven colleges to be audited and obtained ACS data for the colleges from MDCD:

Bay de Noc Community College
Gogebic Community College
Grand Rapids Community College
Henry Ford Community College
Jackson Community College
Muskegon Community College
Northwestern Michigan College

We interviewed staff responsible for preparing and submitting ACS data at each college. We tested the reporting of current fund expenditure data at the activity, subactivity, and element levels; supporting documentation regarding general fund full-time equated positions; and data related to tuition rates and local financing. We also tested the accuracy of reported contact and credit hours and headcount totals; class lists for headcounts, including

in-district and out-of-district classification, class drop and add adjustments, and registration documentation; contact hour calculations; methods for determining legal residency; and methods for classifying general fund and nongeneral fund courses. In addition, we tested supporting documentation for energy usage and costs and the accuracy of reported physical plant area and volume.

AGENCY RESPONSES

Our audit report includes 7 findings and 7 corresponding recommendations. We discussed our audit findings, along with the other reporting exceptions presented as supplemental information, with the management of each community college. The colleges' responses indicated general concurrence with our recommendations.

May 25, 2001

The Honorable Harry Gast, Chairperson
Senate Appropriations Committee
Michigan Senate
and

The Honorable Marc Shulman, Chairperson
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Dear Senator Gast and Representative Shulman:

This is our report on the performance audit of Selected Community Colleges' Reporting of Activities Classification Structure Data for the colleges' fiscal year 1999-2000 (July 1, 1999 through June 30, 2000), mandated by Act 272, P.A. 2000, the annual appropriations act for community colleges.

This report contains our executive digest; description of reported data; audit objective, scope, and methodology and agency responses; comment, findings, and recommendations; a summary of audit findings by college and a schedule of other reporting exceptions, presented as supplemental information; and a glossary of acronyms and terms.

Annual appropriations acts require that the audited institutions develop formal responses within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us by the community colleges.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Reported Data

The activities classification structure (ACS) was developed in response to Section 8, Act 419, P.A. 1978 (a section of the fiscal year 1978-79 appropriations act for community colleges). Uniform data reporting requirements were developed for use in making State budget and appropriation decisions. Act 117, P.A. 1984, provided for a funding formula to be used to determine State aid for each community college. The funding formula is based on ACS data, such as full-time equated students, contact hours, expenditures, and other activity measures. For fiscal year 1999-2000, Act 109, P.A. 1999, continued with the reporting requirements as established in Act 117, P.A. 1984.

The development of ACS has proven beneficial in that ACS:

1. Assists in the collection of uniform and comparable financial data from the 28 State-supported community colleges.
2. Provides an internal management tool to relate information about resources and activities to the achievement of institutional objectives.
3. Interfaces a State reporting structure with accounting practices and organizational structures common to the community college system.
4. Provides a framework for identifying areas of institutional similarities and differences.
5. Provides a logical basis for determining the gross need of individual colleges and of the total system, which then becomes translated into State appropriations.

The Michigan Department of Career Development (MDCD) is responsible for the collection and analysis of certain data submitted by the colleges on the various ACS forms. Colleges are to report ACS data in accordance with provisions of the annual appropriations act for community colleges (Act 109, P. A. 1999), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting for Michigan Public Community Colleges (MUFR), and MDCD's annual instructions.

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The audit objective for our performance audit of Selected Community Colleges' Reporting of Activities Classification Structure Data was to assess whether colleges reported activities classification structure (ACS) data to the Michigan Department of Career Development (MDCD) on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 109, P.A. 1999), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and MDCD's annual instructions.

Audit Scope

Our audit scope was to examine selected records supporting the activities classification structure data reported by seven community colleges for their fiscal year ended June 30, 2000. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We randomly selected the following seven colleges to be audited and obtained ACS data for the colleges from MDCD:

Bay de Noc Community College
Gogebic Community College
Grand Rapids Community College
Henry Ford Community College
Jackson Community College
Muskegon Community College
Northwestern Michigan College

Audit Methodology

Our fieldwork was performed from January through March 2001. We interviewed staff responsible for preparing and submitting ACS data at each college. We tested the reporting of current fund expenditure data at the activity, subactivity, and element levels; supporting documentation regarding general fund full-time equated positions; and data

related to tuition rates and local financing. We also tested the accuracy of reported contact and credit hours and headcount totals; class lists for headcounts, including in-district and out-of-district classification, class drop and add adjustments, and registration documentation; contact hour calculations; methods for determining legal residency; and methods for classifying general fund and nongeneral fund courses. In addition, we tested supporting documentation for energy usage and costs and the accuracy of reported physical plant area and volume.

Agency Responses

Our audit report includes 7 findings and 7 corresponding recommendations. We discussed our audit findings, along with the other reporting exceptions presented as supplemental information, with the management of each community college. The colleges' responses indicated general concurrence with our recommendations.

Annual community college appropriations acts require the principal executive officers of the audited institutions to submit written responses to our audit to the House and Senate Appropriations Committees, the House and Senate Fiscal Agencies, the Michigan Department of Career Development, the Auditor General, and the Department of Management and Budget. The responses are due within 60 days after the audit report has been issued and should specify the action taken by the institutions regarding the audit report's recommendations.

COMMENT, FINDINGS, AND RECOMMENDATIONS

ACCURACY OF REPORTED DATA

COMMENT

Audit Objective: To assess whether colleges reported activities classification structure (ACS) data to the Michigan Department of Career Development (MDCD) on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 109, P.A. 1999), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and MDCCD's annual instructions.

Conclusion: We concluded that the selected community colleges generally reported ACS data to MDCCD on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 109, P.A. 1999), the ACS Manual for Michigan Community Colleges, MUFR, and MDCCD's annual instructions. However, we did identify reportable conditions relating to the calculation of the count date for credit hours, contact hours, and student headcount; student course enrollment data reporting; contact hour computations and reporting; disclosure of required data; instructional minutes computation; cost allocations and expenditure reporting; and property tax data.

These reporting errors were not considered material and may not necessarily have a direct dollar impact on the community colleges' funding. However, it is important for comparative analyses that all community colleges report their enrollment and other ACS data in a consistent manner that adheres to the provisions of the annual appropriations act for community colleges (Act 109, P. A. 1999), the ACS Manual for Michigan Community Colleges, MUFR, and MDCCD's annual instructions.

Several of our audit findings pertain to more than one college; therefore, we have included a summary of audit findings by college, presented as supplemental information, to identify the specific colleges involved.

Also presented as supplemental information is a schedule of other reporting exceptions. These reporting exceptions represent instances of noncompliance that have been

determined, after consultation with MDCCD, to have a minimal, if any, impact on the funding formula and the ACS Data Book*.

FINDING

1. Calculation of the Count Date for Credit Hours, Contact Hours, and Student Headcount

Two colleges did not calculate their count dates in accordance with MDCCD's instructions.

To ensure uniformity in reporting, MDCCD's instructions require the colleges to report all enrollment data as of the count date. The count date is defined as being one tenth of the total calendar days between and including the first and last days of instruction (including holidays and the final examination day) for both full and less-than-full academic period courses. When the one-tenth calculation results in less than one day, the first day of the course offering should be recognized as the count date. Our review of count date calculations and applications disclosed:

- a. Grand Rapids Community College did not count the first day of class and truncated the count date calculation when computing the count date.
- b. Jackson Community College did not use the correct count for 2 of the 10 class lists reviewed.

RECOMMENDATION

We recommend that the colleges calculate their count dates in accordance with MDCCD's instructions.

FINDING

2. Student Course Enrollment Data Reporting

Seven colleges reported student course enrollment data on the course enrollment data by instructional element, subactivity, and activity form (ACS 6) that did not agree with the supporting class lists and class summaries.

* See glossary at end of report for definition.

The appropriations act and MDCCD's instructions require the colleges to generate their ACS 6's using class lists and class summaries as of the count date. MDCCD's instructions also require that the data reported to MDCCD on the ACS 6 must be consistent with that shown on the class lists and class summaries. Our comparison of the colleges' ACS 6's with supporting documentation disclosed:

- a. Bay de Noc Community College, Gogebic Community College, Grand Rapids Community College, Jackson Community College, Muskegon Community College, and Northwestern Michigan College incorrectly included students who were "auditing" courses in their credit hour totals. MDCCD's instructions do not allow the inclusion of students "auditing" courses in credit hour totals.
- b. Henry Ford Community College did not include students who were "auditing" courses in headcount and contact hour totals as allowed by MDCCD's instructions.
- c. Jackson Community College class summaries did not reconcile to 7 of 15 class lists reviewed in accordance with the appropriations act and MDCCD instructions, which require class summaries and class lists to be consistent. The College resubmitted data that provided reasonable assurance that data reported on the ACS 6 was materially correct.
- d. Jackson Community College reported out-of-district students paying in-district tuition rates as in-district.
- e. Northwestern Michigan College inappropriately reported credit hours for noncredit classes.

RECOMMENDATION

We recommend that the colleges report student course enrollment data that agrees with supporting class lists and class summaries.

FINDING

3. Contact Hour Computations and Reporting

Five colleges did not calculate and report contact hours based on MDCCD's instructions.

MDCD's instructions require that a contact hour be based on 50 instructional minutes. Total contact hours for a course are to be calculated by summing the total instructional minutes for a course in the academic period and dividing by 50. The instructions further state that: 1) course contact hours may be calculated on a section-by-section basis, or 2) all sections of a course may be reported at the same course contact hour value as long as each section's actual course contact hour value is not less than the reported value of that course by more than 5%. Colleges must perform an actual calculation on a random sample of courses to determine the actual contact hour difference. Documentation of this random sample must be maintained for audit purposes. Our review disclosed:

- a. Gogebic Community College did not calculate contact hours based on total instructional minutes. The College calculated contact hours based on the number of credit hours and the standard number of weeks scheduled for the class.
- b. Grand Rapids Community College and Northwestern Michigan College calculated contact hours using a standard of 16 contact hours per credit hour instead of using actual instructional minutes.
- c. Henry Ford Community College reported all contact hours based on a minimum of 50 minutes for each contact hour reported. Because of slight variations in schedules, classes may provide more than 50 minutes of instruction for each contact hour reported. In our review of classes, we determined that all classes slightly exceeded the contact hours reported on the ACS 6.
- d. Jackson Community College did not calculate and report contact hours in accordance with MDCD's instructions in all of the 10 class lists reviewed. The College resubmitted data that provided reasonable assurance that data reported on the ACS 6 was materially correct.

RECOMMENDATION

We recommend that the colleges calculate and report contact hours based on MDCD's instructions.

FINDING

4. Disclosure of Required Data

Jackson Community College did not disclose on its class lists certain data required by the appropriations act.

Act 109, P.A. 1999, requires that class lists and class summaries identify clearly by course the number of in-district and out-of-district student credit and contact hours. The class lists and class summaries shall be consistent with each other and shall include the course prefix and number, course title, course credit and contact hours, credit and contact hours generated by each student, and activity classifications consistent with the taxonomy.

Our review of class lists disclosed that the College did not provide a breakdown of in-district and out-of-district credit and contact hours on class lists as required by the appropriations act.

RECOMMENDATION

We recommend that Jackson Community College disclose on its class lists all data required by the appropriations act.

FINDING

5. Instructional Minutes Computation

Northwestern Michigan College did not provide the required instructional minutes per semester credit hour for some classes.

The ACS Manual for Michigan Community Colleges specifies that a semester credit hour provide at least 800 instructional minutes for each class. Failure to consider days for which the College was closed (holidays) resulted in the College providing less than the required 800 instructional minutes per semester credit hour.

The College did not meet the 800 instructional minutes for 3 of 12 classes that we tested.

RECOMMENDATION

We recommend that Northwestern Michigan College provide the required instructional minutes per semester credit hour for all classes.

FINDING

6. Cost Allocations and Expenditure Reporting

Northwestern Michigan College did not properly allocate or report some expenditures on its current fund expenditures by activity/subactivity/element form (ACS 3).

The annual appropriations act, the ACS Manual for Michigan Community Colleges, MUFR, and MDCCD's instructions provide direction to community colleges on the proper allocation and reporting of expenditures. Our review disclosed:

- a. The College did not allocate indirect costs for one of its auxiliary services in compliance with MDCCD's instructions.
- b. The College did not properly report capital expenditures on the ACS 3.

The College did not report library book purchases in the category of "Capital" as required by MDCCD's instructions. Instead, the College reported the library book purchases in the category of "Other."

Accurate reporting of expenditures is necessary for comparable analyses of expenditures among the 28 community colleges. This data may be used to determine the financial need of the individual colleges in the appropriation process.

RECOMMENDATION

We recommend that Northwestern Michigan College properly allocate and report expenditures on its ACS 3.

FINDING

7. Property Tax Data

Two colleges did not accurately report their millage rate or taxable value on their tuition, taxable value, and millage data form (ACS 5).

- a. Henry Ford Community College's supporting documentation did not agree with the taxable value reported for fiscal years 1999-2000 and 2000-01. Also, the College did not report applicable debt millage for fiscal years 1999-2000 and 2000-01.

- b. Northwestern Michigan College underreported its voted operating millage for fiscal years 1999-2000 and 2000-01.

RECOMMENDATION

We recommend that the colleges accurately report their millage rate and taxable value on their ACS 5's.

SUPPLEMENTAL INFORMATION

SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA
 Summary of Audit Findings by College
July 1, 1999 through June 30, 2000

Audit Finding	Bay de Noc Community College	Gogebic Community College	Grand Rapids Community College	Henry Ford Community College	Jackson Community College	Muskegon Community College	Northwestern Michigan College
1a			X				
1b					X		
2a	X	X	X		X	X	X
2b				X			
2c					X		
2d					X		
2e							X
3a		X					
3b			X				X
3c				X			
3d					X		
4					X		
5							X
6a							X
6b							X
7a				X			
7b							X

SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA

Schedule of Other Reporting Exceptions*

July 1, 1999 through June 30, 2000

ACS 3: Current Fund Expenditures by Activity/Subactivity/Element

1. Henry Ford Community College included furniture rental cost of \$142,411 under the "Facility" column instead of under the "Other" column.
2. Jackson Community College understated its "Energy" subelement amount by \$20,160 because of a calculation error.
3. Northwestern Michigan College reported facility rental expenditures under the "Other" column instead of under the "Facility" column.

ACS 4: General Fund Personnel Activity Measures

1. Bay de Noc Community College did not accurately report full-time equated (FTE) positions for faculty at the noninstructional subactivity level. This was because the financial aid specialist was inappropriately included under the "Office/Clerical" column.
2. Grand Rapids Community College inaccurately included Human Development personnel in ACS line item 1.2, Business/Public Service.
3. Henry Ford Community College did not accurately report FTEs for part-time staff at the instructional activity level and full-time staff at the noninstructional activity level.
4. Northwestern Michigan College underreported nonfaculty FTEs by 18.5 FTEs. The College did not include positions relating to the Center for Business and Industry, Extended Education Services, and its Cadillac Campus.
5. Northwestern Michigan College overreported its part-time faculty by 5 FTE because of a posting error.

ACS 6: Course Enrollment Data by Instructional Element, Subactivity, and Activity

1. Grand Rapids Community College did not calculate the total course contact hours for Community College Occupational Training classes.
2. Grand Rapids Community College reported four courses in the incorrect ACS line item.
3. Henry Ford Community College did not include three course sections in the ACS 6 totals.
4. Jackson Community College did not report "grant funded" courses in its ACS 6.

ACS 7: Plant and Grounds Expenditures and Activity Measure

1. Bay de Noc Community College and Gogebic Community College overstated their physical plant total fund line item and physical plant general fund line item by including energy service expenditures.
2. Gogebic Community College had immaterial variances in the calculations of square and cubic footage.
3. Henry Ford Community College overstated its energy general fund, water and sewage general fund, and physical plant general fund line items by not deducting applicable auxiliary fund allocations.
4. Jackson Community College understated its energy general fund line item by \$20,160 because of a calculation error.
5. Jackson Community College overstated its physical plant total fund and physical plant general fund line items by \$41,000 because of a posting error.
6. Northwestern Michigan College understated its energy general fund line item by \$6,498 by not including an applicable utility expenditure.

7. Northwestern Michigan College overstated its overall volume because of a miscalculation of gross square footage and cubic footage by inappropriately including a building that was sold by the College.

* This schedule of other reporting exceptions identifies instances of noncompliance that have been determined, after consultation with the Michigan Department of Career Development, to have a minimal, if any, impact on the funding formula and the ACS Data Book.

Glossary of Acronyms and Terms

ACS	activities classification structure.
ACS Data Book	An annual publication from the Michigan Department of Career Development of enrollment, instruction, fiscal, and other data submitted by Michigan's 28 community colleges.
ACS 3	current fund expenditures by activity/subactivity/element form.
ACS 5	tuition, taxable value, and millage data form.
ACS 6	course enrollment data by instructional element, subactivity, and activity form.
FTE	full-time equated.
MDCD	Michigan Department of Career Development.
MUFR	Manual for Uniform Financial Reporting of Michigan Public Community Colleges.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

